

## UNITED STATES DISTRICT COURT

MIDDLE

District of

ALABAMA

**UNITED STATES OF AMERICA**  
**V.**

**MARGULIS ENTERPRISES, INC., d/b/a**  
**COVENANT MEDICAL SUPPLIES**

**JUDGMENT IN A CRIMINAL CASE**  
(For Organizational Defendants)

CASE NUMBER: 2:03CR242-001-SBen Hand

Defendant Organization's Attorney

**THE DEFENDANT ORGANIZATION:**

pleaded guilty to count(s) 1s of the Superseding Indictment on 2/28/2005

pleaded nolo contendere to count(s) \_\_\_\_\_  
which was accepted by the court.

was found guilty on count(s) \_\_\_\_\_  
after a plea of not guilty.

The organizational defendant is adjudicated guilty of these offenses:

<u>Title &amp; Section</u>	<u>Nature of Offense</u>	<u>Offense Ended</u>	<u>Count</u>
18:371	<b>Conspiracy to Commit Health Care Fraud</b>	<b>11/30/2001</b>	<b>1s</b>

The defendant organization is sentenced as provided in pages 2 through 5 of this judgment.

The defendant organization has been found not guilty on count(s) \_\_\_\_\_

Count(s) 1,2,2s,3-82,3s-137s,83-162,138s,  is  are dismissed on the motion of the United States.

140s,163 and 165

It is ordered that the defendant organization must notify the United States attorney for this district within 30 days of any change of name, principal business address, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant organization must notify the court and United States attorney of material changes in economic circumstances.

Defendant Organization's  
Federal Employer I.D. No.: 63-1172020

July 13, 2005

Date of Imposition of Judgment

Signature of Judge

Defendant Organization's Principal Business Address:

2214-G Gateway DriveLYLE E. STROM, SENIOR U.S. DISTRICT JUDGE

Name and Title of Judge

7/24/05

Date

Defendant Organization's Mailing Address:

P.O. Box 3323LYLE E. STROM, SENIOR U.S. DISTRICT JUDGEAuburn, AL 36831

DEFENDANT ORGANIZATION: MARGULIS ENTERPRISES, INC., d/b/a COVENANT MEDICAL SUPPLIES  
CASE NUMBER: 2:03CR242-001-S

## PROBATION

The defendant organization is hereby sentenced to probation for a term of :

**Three (3) years.**

The defendant organization shall not commit another federal, state or local crime.

If this judgment imposes a fine or a restitution obligation, it is a condition of probation that the defendant organization pay in accordance with the Schedule of Payments sheet of this judgment.

The defendant organization must comply with the standard conditions that have been adopted by this court as well as with any additional conditions on the attached page (if indicated below).

## STANDARD CONDITIONS OF SUPERVISION

- 1) within thirty days from the date of this judgment, the defendant organization shall designate an official of the organization to act as the organization's representative and to be the primary contact with the probation officer;
- 2) the defendant organization shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
- 3) the defendant organization shall notify the probation officer ten days prior to any change in principal business or mailing address;
- 4) the defendant organization shall permit a probation officer to visit the organization at any of its operating business sites;
- 5) the defendant organization shall notify the probation officer within seventy-two hours of any criminal prosecution, major civil litigation, or administrative proceeding against the organization;
- 6) the defendant organization shall not dissolve, change its name, or change the name under which it does business unless this judgment and all criminal monetary penalties imposed by this court are either fully satisfied or are equally enforceable against the defendant's successors or assignees; and
- 7) the defendant organization shall not waste, nor without permission of the probation officer, sell, assign, or transfer its assets.

DEFENDANT ORGANIZATION: MARGULIS ENTERPRISES, INC., d/b/a COVENANT MEDICAL SUPPLIES  
CASE NUMBER: 2:03CR242-001-S

### SPECIAL CONDITIONS OF SUPERVISION

**As president of the corporation, Francis W. Margulis, a/k/a Frank Margulis, or other authorized agent, shall provide a financial information regarding the company's status and results of business operations, and accounting for the disposition of all funds received and disbursed, as requested by the probation officer.**

**As president of the corporation, Francis W. Margulis, a/k/a Frank Margulis, or other authorized agent, shall submit to unannounced examinations of the company's books and records at appropriate times and premises as requested by the probation officer or experts engaged by the court and/or interrogation of knowledgeable individuals within or associated with the organization as directed. Compensation to and costs of any experts engaged by the court shall be paid by the organization.**

**The corporation shall be required to notify the probation officer immediately upon learning of any material adverse change in its business or financial condition or prospects, or the commencement of any bankruptcy proceeding, civil litigation, criminal prosecution, or administrative proceeding against the organization, or any investigation or formal inquiry by governmental authorities regarding the organization.**

DEFENDANT ORGANIZATION: MARGULIS ENTERPRISES, INC., d/b/a COVENANT MEDICAL SUPPLIES  
CASE NUMBER: 2:03CR242-001-S**CRIMINAL MONETARY PENALTIES**

The defendant organization must pay the following total criminal monetary penalties under the schedule of payments on Sheet 4.

<u>TOTALS</u>	<u>Assessment</u>	<u>Fine</u>	<u>Restitution</u>
	\$ 400.00	\$ 25,000.00	\$ 40,000.00

- The determination of restitution is deferred until \_\_\_\_\_. An *Amended Judgment in a Criminal Case* (AO 245C) will be entered after such determination.
- The defendant organization shall make restitution (including community restitution) to the following payees in the amount listed below.

If the defendant organization makes a partial payment, each payee shall receive an approximately proportioned payment, unless specified otherwise in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

<u>Name of Payee</u>	<u>Total Loss*</u>	<u>Restitution Ordered</u>	<u>Priority or Percentage</u>
Palmetto Government Benefits Administrator LLC Medicare Benefit Integrity Unit Attn: Sophia Rivera-Lopez P.O. Box 100236 Columbia, SC 29202-3236		40,000.00	
<b>TOTALS</b>	\$ _____	\$ <u>40,000.00</u>	

- Restitution amount ordered pursuant to plea agreement \$ \_\_\_\_\_
- The defendant organization shall pay interest on restitution or a fine of more than \$2,500, unless the restitution or fine is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 4 may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).
- The court determined that the defendant organization does not have the ability to pay interest, and it is ordered that:
- X the interest requirement is waived for the X fine X restitution. \*\* Court orders dft not responsible for interest as long as dft remains current on monthly payments to the Court.
- the interest requirement for the  fine  restitution is modified as follows:

DEFENDANT ORGANIZATION: MARGULIS ENTERPRISES, INC., d/b/a COVENANT MEDICAL SUPPLIES  
CASE NUMBER: 2:03CR242-001-S**SCHEDULE OF PAYMENTS**

Having assessed the organization's ability to pay, payment of the total criminal monetary penalties are due as follows:

A  Lump sum payment of \$ 65,400.00 due immediately, balance due

not later than \_\_\_\_\_, or  
 in accordance with  C or  D below; or

B  Payment to begin immediately (may be combined with  C or  D below); orC  Payment in \_\_\_\_\_ (e.g., equal, weekly, monthly, quarterly) installments of \$ \_\_\_\_\_ over a period of \_\_\_\_\_  
(e.g., months or years), to commence \_\_\_\_\_ (e.g., 30 or 60 days) after the date of this judgment; orD  Special instructions regarding the payment of criminal monetary penalties:

Criminal monetary payments shall be made payable to the Clerk, U.S. District Court, Middle District of Alabama, P.O. Box 711, Montgomery, AL 36101. Special Assessment of \$400.00 shall be paid by 7/22/2005.

Fine of \$25,000.00 is to be paid during the period of probation (3) years in monthly payments. No interest accrues if payments are made as presecribed.

All criminal monetary penalties are made to the clerk of the court.

The defendant organization shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

 Joint and Several

Defendant and Co-Defendant Names and Case Numbers (including defendant number), Total Amount, Joint and Several Amount, and corresponding payee, if appropriate.

 The defendant organization shall pay the cost of prosecution. The defendant organization shall pay the following court cost(s):

X The defendant organization shall forfeit the defendant organization's interest in the following property to the United States:

Funds on deposit with AmSouth account in xxxxxxxx774 (Money Market Acct.) In the amount of approximately \$40,000.00.